

# **ECONOMIC OUTLOOK: THE "MANDATED RECESSION," UNCHARTED TERRITORY, AND PERMANENT CHANGES TO THE ECONOMY**

Dr. Michael L. Walden, Reynolds Distinguished Professor  
North Carolina State University

# THE ECONOMY WAS VERY GOOD PRIOR TO THE VIRUS

1. RECORD LENGTH OF ECONOMIC GROWTH
2. GROWTH RATE (REAL GDP) OF 2%
3. RISING REAL WAGES
4. 50-YEAR LOW UNEMPLOYMENT
5. LOW INFLATION
6. GAINS AT THE LOWER PART OF THE ECONOMIC LADDER

**TO CONTROL THE SPREAD,  
HEALTH EXPERTS SAID  
PERSONAL CONTACT MUST  
BE LIMITED**

RESULTS:

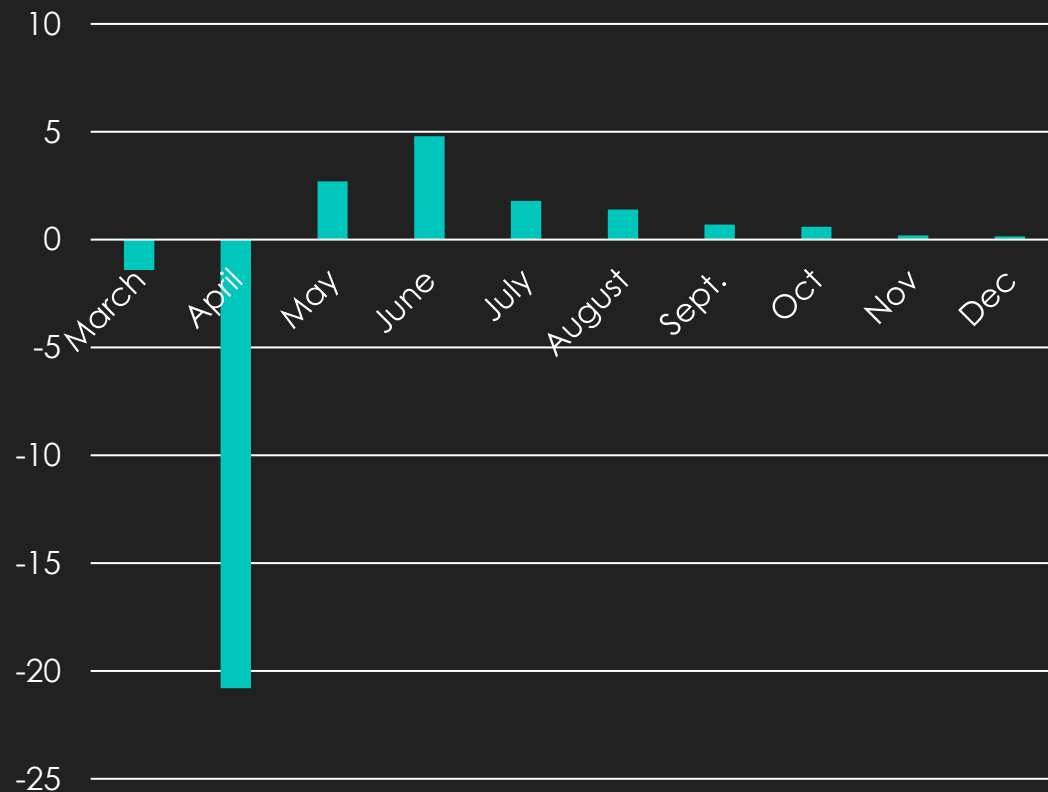
- \* SHUTDOWN ORDERS
- \* STAY-AT-HOME ORDERS
- \* DEBATE OVER WHETHER  
PEOPLE WOULD HAVE  
DONE SO ANYWAY
- \* THE “MANDATED” RECESSION



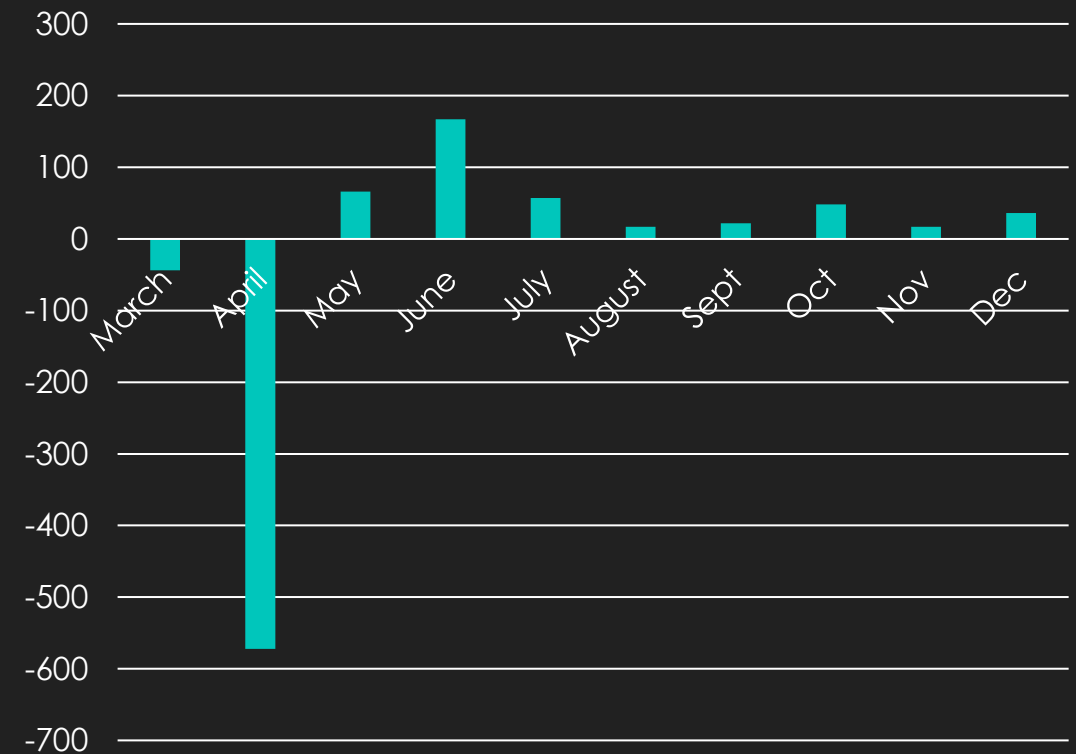
# MONTHLY CHANGE IN NON-FARM EMPLOYMENT, US & NC

(seasonally-adjusted)

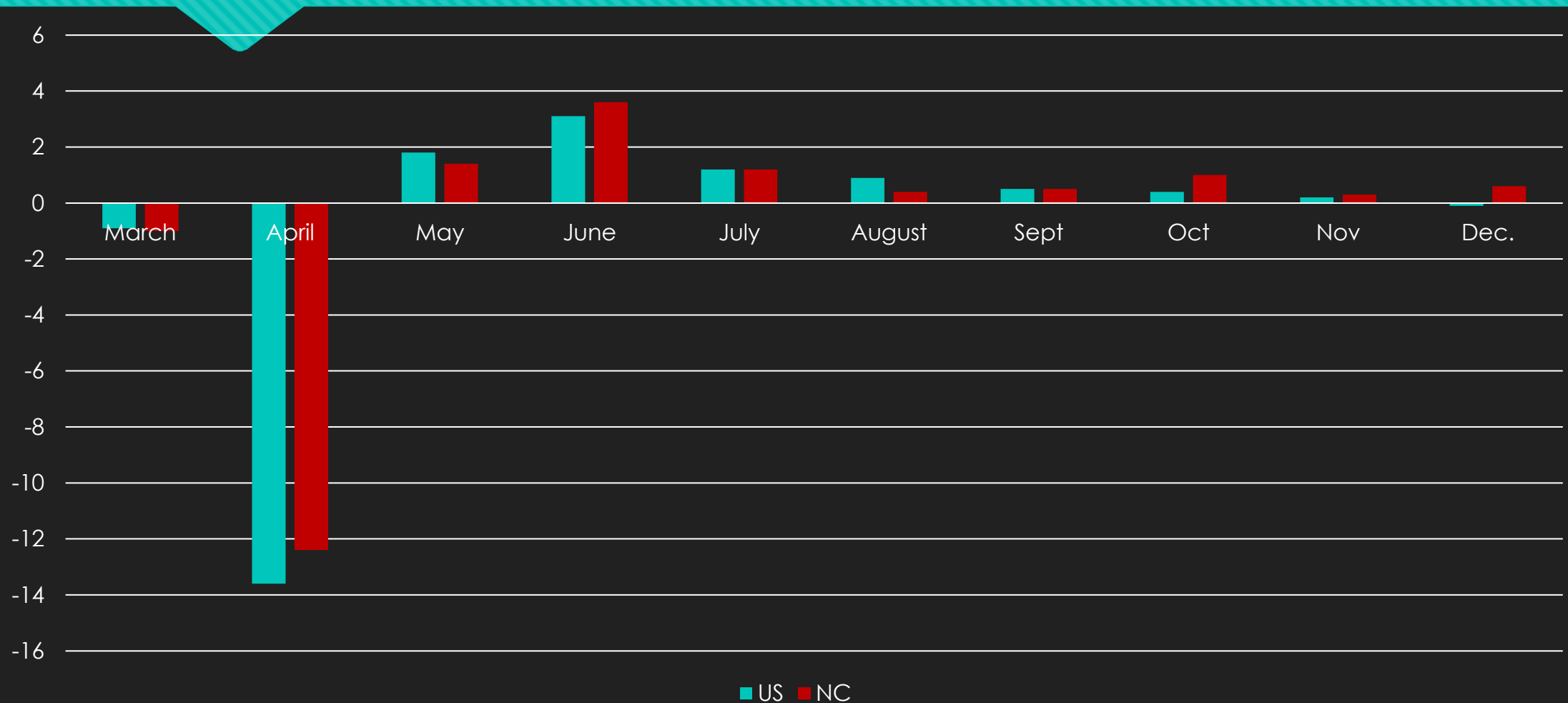
US, Change in millions



NC, Change in thousands

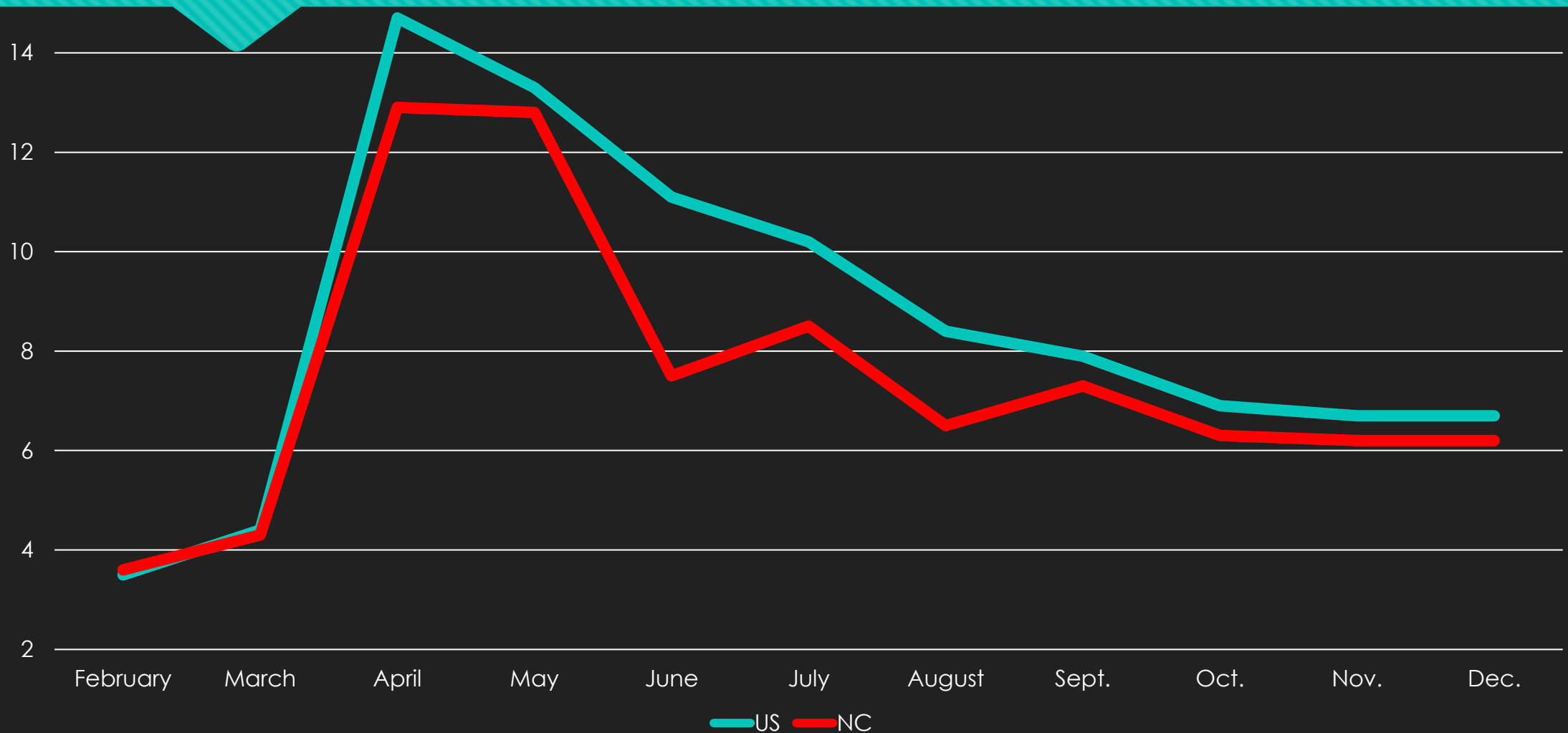


# MONTHLY CHANGE IN NON-FARM EMPLOYMENT, AS A PERCENT OF FEBRUARY TOTAL EMPLOYMENT, US & NC



# UNEMPLOYMENT RATES, US, TRIANGLE

(SEASONALLY-ADJUSTED FOR US, NC, NON-SEASONALLY-ADJUSTED FOR TRIANGLE, % OF LABOR FORCE)



# BUT IMPACTS HAVE VARIED BY ECONOMIC SECTOR

## BIGGEST JOB LOSERS:

HOSPITALITY AND LEISURE  
PERSONAL SERVICES

## SMALLEST JOB LOSERS

FINANCIAL SERVICES  
PROFESSIONS  
CONSTRUCTION  
EDUCATION

FARMING & PROCESSING  
DEEMED ESSENTIAL

**THE FEDERAL RESPONSE:  
OVER \$4 TRILLION IN  
SPENDING**

ALL BORROWED

\$39 BILLION TO NC

FUTURE ECONOMIC  
GROWTH WILL BE LOWER

BUT ALTERNATIVE: LOSE  
BIG PART OF ECONOMY

TODAY ← FUTURE



**THE FEDERAL  
RESPONSE: FREE  
MONEY AT 0% RATE**

COMPLEMENTS OF THE FEDERAL RESERVE  
FED HAS SAID INTEREST RATES WILL REMAIN LOW

WORRIES ABOUT:

- SPECULATION
- INFLATION

FAVORS BUYING OVER RENTING

STATE AND LOCAL  
GOVERNMENTS ARE  
LOSING REVENUES

NC IN BETTER SHAPE THAN MOST STATES

\$4 BILLION IN UNSPENT FUNDS

LATEST FORECAST IS FOR STRONG REVENUE  
GAINS

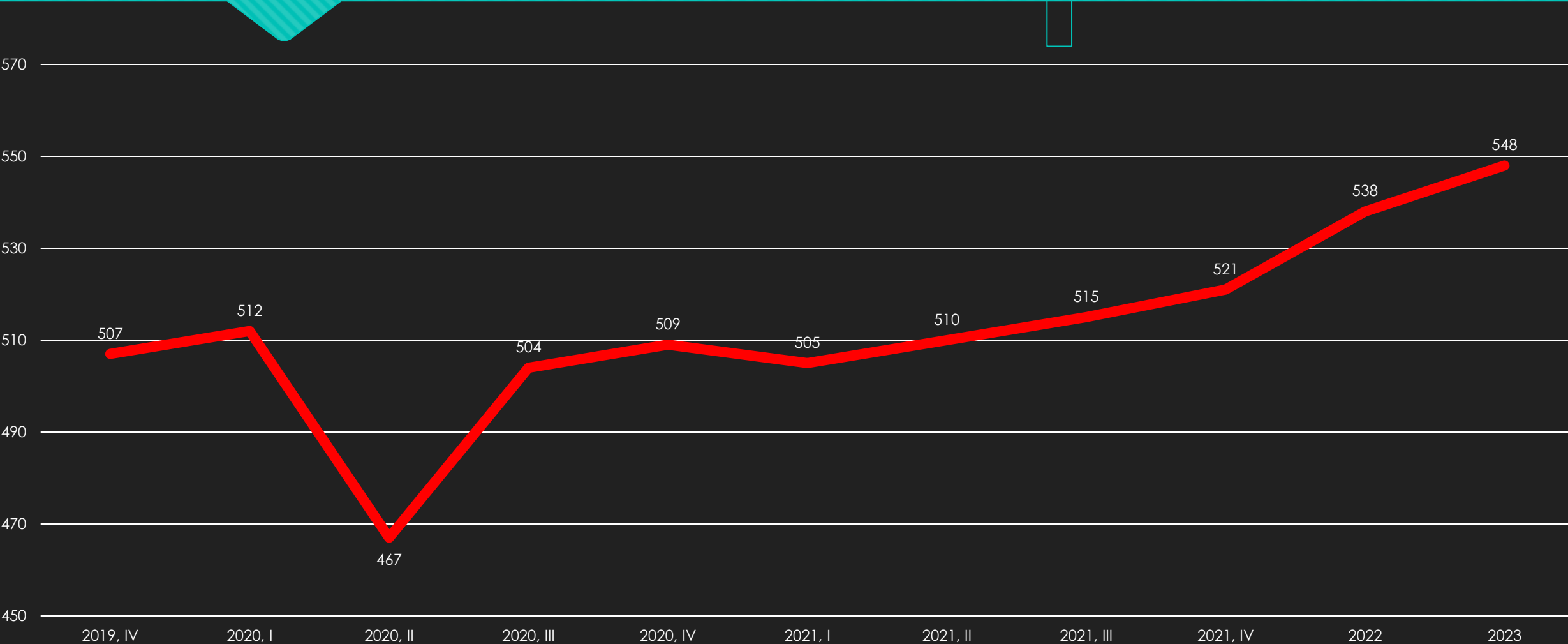
# LEADING NC INDEX SUGGESTS RECOVERY

NCSU INDEX OF NORTH CAROLINA LEADING ECONOMIC INDICATORS

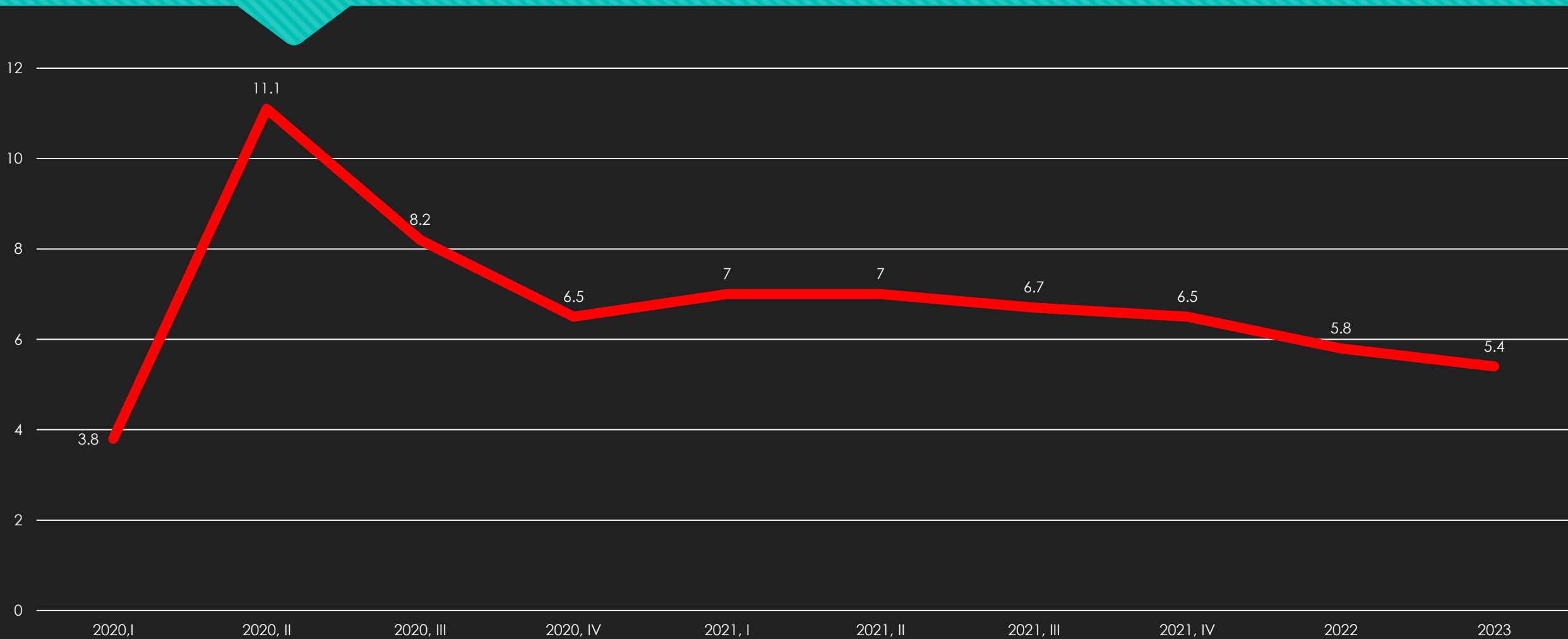


Source: calculations by Dr. Michael Walden

# FORECASTED PATH OF NORTH CAROLINA'S REAL GDP



# FORECASTED PATH OF NORTH CAROLINA'S UNEMPLOYMENT RATE



## GLOBALIZATION RE-CONSIDERED

TO CONTAIN SPREAD OF  
VIRUSES

TO REDUCE RELIANCE ON  
FOREIGN SUPPLIERS OF KEY  
PRODUCTS – ESPECIALLY  
MEDICAL

TO PREVENT INTERRUPTIONS  
OF SUPPLY-CHAINS

# WORLD TRADE TO BE REDUCED ?

## MORE LABOR MARKET DISRUPTION

TECHNOLOGICAL UNEMPLOYMENT

PANDEMIC HAS SPEEDED IT

NO WORRIES ABOUT SOCIAL  
DISTANCING WITH MACHINES

ROBOTS IN FOOD PROCESSING PLANTS

## HUMANS VERSUS MACHINES

## TELE-WORKING

8% PRE-VIRUS

40% NOW

NOT FOR EVERYONE, BUT SHARE  
WILL RISE TO 50%

## WORK – HOME BALANCE



DRONE DELIVERY OF  
PRODUCTS; **LOW-EARTH-  
ORBITING SATELLITE**  
DELIVERY OF INTERNET

GAME-CHANGERS FOR RURAL  
LOCATIONS OF BUSINESSES AND  
HOUSEHOLDS

LOOK TO THE SKY !

## RECONSIDERATION OF RESIDENTIAL LOCATION

“DISTANCE IS DEAD”

PROXIMITY TO WORK,  
SCHOOLS, SHOPPING NO  
LONGER NEEDED

“NEW FARM LIFESTYLE” ON  
CHEAPER LAND

# WHERE IS HOME ?

# IMPORTANCE OF AGRICULTURE & AGRIBUSINESS

DEFINITION: PRODUCTION, PROCESSING, DELIVERY, AND RETAILING OF FOOD, NATURAL FIBER, AND FORESTRY INDUSTRIES IN NORTH CAROLINA (VALUE-ADDED)

**\$92.7 BILLION GDP**, OUT OF TOTAL NC GDP OF \$564 BILLION IN 2018 (16%)

EMPLOYMENT OF **772,000**, OR 17.5% OF TOTAL NC EMPLOYMENT

EVERY COUNTY HAS SOME PRODUCTION AND EMPLOYMENT